

State of Alaska FY2003 Governor's Operating Budget

Department of Administration Alaska Oil and Gas Conservation Commission BRU/Component Budget Summary

BRU/Component: Alaska Oil and Gas Conservation Commission

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

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Component Mission

To protect the public interest in oil and gas resources.

Component Services Provided

- Issue pooling rules and conservation orders.
- Approve and monitor plans for reservoir development and enhanced oil recovery.
- Approve permits for drilling, completion, and remedial well operations. This includes the evaluation and approval of proposed designs for drilling, well control, casing, cementing and other well completion operations.
- Inspect drill rigs and wells to insure compliance with AOGCC regulations.
- Witness safety valve, mechanical integrity, blowout preventer and diverter tests.
- Witness meter-proving, calibration, and oil quality tests.
- Monitor and enforce well spacing rules, production rates, injection well pattern, gas/oil/water ratios, and pressure maintenance efforts.
- Evaluate and regulate gas flaring for waste determinations.
- Collect and maintain all oil and gas production records.
- Provide information and technical analysis to other state agencies.
- Collect and maintain all well history files and well log records.
- Administer Alaska's Underground Injection Control (UIC) program and the annular waste disposal program.

Component Goals and Strategies

PREVENT PHYSICAL WASTE OF THE RESOURCE

- Evaluate drilling programs to ensure proper well design, construction and well control equipment.
- Inspect wells and drilling projects to verify compliance with approved regulations, procedures and safety requirements for drilling and production practices.
- Evaluate proposals for reservoir development.

ENSURE GREATER ULTIMATE RECOVERY

- Analyze production data, including pressure, gas-oil ratios, water cut, etc., to ensure these variables fall within the required parameters necessary to provide for greater ultimate recovery.
- Require and approve reservoir development proposals, including plans for enhanced oil recovery operations and gas development.

INDEPENDENTLY ASSESS OIL AND GAS DEVELOPMENT

- Independently audit/verify that oil and gas proposals are in compliance with the purposes and intent of Title 31.

PROTECT ALASKA'S UNDERGROUND SOURCES OF DRINKING WATER

- Provide engineering and geological review of all applications for underground disposal of drilling wastes.
- Provide engineering and geological review of all applications to drill oil and gas wells.

PROTECT CORRELATIVE RIGHTS

- Provide all owners of oil and gas rights the opportunity to recover their fair share of the resource through well spacing provisions, permit review and pooling authority.

ADJUDICATE DISPUTES BETWEEN OWNERS

- Provide a public forum to resolve disputes between owners.

Key Component Issues for FY2002 – 2003

- Evaluate and respond to impacts of expanded statewide exploration and development (including National Petroleum Reserve-Alaska (NPRA) and coal bed methane development) on the effectiveness of AOGCC oversight.
- Continue to evaluate conservation issues associated with any large-scale gas offtake proposal for the Prudhoe Bay Field.
- Maintain the integrated reservoir evaluation program.
- Fully implement the Commission's audit capability with additional equipment, software, and personnel.
- Continue to develop electronic data storage and retrieval capability for improved information access, management and e-commerce.
- Sustain an active role to protect Alaska's UIC program in light of changing federal policy.
- Recruitment and retention of qualified Petroleum Engineers and Geologists.
- Secure funding for increased drilling activity costs.

Major Component Accomplishments in 2001

- Effectively and timely evaluated and issued approvals for an increased number of sub-surface oil and gas operations.
- Continued to efficiently oversee the UIC program and to exercise a national voice regarding state management of underground injection and ground water protection.
- Continued to implement document imaging program, which will allow improved information management and access.
- Implemented an oil and gas relational database for management of well data, which will allow improved information management and access.
- Completed second phase of Alpine Reservoir project in conjunction with the Petroleum Development Laboratory at the School of Mineral Engineering at the University of Alaska, Fairbanks.
- Commissioned and completed a scoping study of the conservation issues associated with the sale of Prudhoe Oil Pool gas.
- Independently reviewed and evaluated oil spill plume models/maximum flow rates for DEC spill response planning standards in nine (9) exploration and delineation projects.

Statutory and Regulatory Authority

AS 31.05	Alaska Oil and Gas Conservation Act
20 AAC 25	Alaska Oil and Gas Conservation Commission

Key Performance Measures for FY2003

Measure:

The average time the commission takes to process permits
Sec 16 Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

For the period January 1 through June 30, 2001, the average time the commission took to process permits was 20 days.

For the period July 1 through September 30, 2001, the average time the commission took to process permits was 17 days.

Benchmark Comparisons:

We currently have no benchmark information for this performance measure.

Background and Strategies:

The AOGCC will continue to work to ensure that permits are issued in a timely manner.

Measure:

The number of well site inspections.
Sec 16 Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

For the period January 1, 2001 through June 30, 2001 the number of well site inspections is as follows:
Total Number of Active Wells - 3653
The number of well site inspections witnessed:
1153 out of 2612 Safety Valve System Tests;
81 out of 334 Blowout Prevention Equipment Tests;
105 out of 118 Mechanical Integrity Tests;
23 out of 42 Diverter Tests (diverter tests were witnessed on 100% of exploration wells).

For the period July 1, 2001 through September 30, 2001 the number of well site inspections is as follows:
Total Number of Active Wells - 3653
The number of well site inspections witnessed:
447 out of 1016 safety valve systems tests;
41 out of 162 blowout prevention equipment tests;
112 out of 117 mechanical integrity tests;
4 out of 19 diverter tests.

Benchmark Comparisons:

We currently have no benchmark information for this performance measure.

Background and Strategies:

The AOGCC will continue to maximize the number of inspections available resources allow.

Measure:

The number of independent reservoir evaluations.
Sec Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

For the period January 1, 2001 through June 30, 2001 the number of independent reservoir evaluations is as follows:

- Completed second phase of Alpine Reservoir project in cooperation with UA at Fairbanks.
- Completed simplified model study of the Tabasco Oil pool of Kuparuk River Unit using a black oil simulator.
- Prudhoe Bay Gas Commercialization factors affecting Prudhoe Bay Oil Recovery
 - Commissioned a report on "Scope of Conservation Issues Associated with Large Volume Sale of Prudhoe Oil Pool Gas". Project completed in June 2001.
 - Report recommendations are being used to begin negotiations with Prudhoe Bay Unit (PBU) Owners on AOGCC review and evaluation of work done to analyze gas removal impact on liquid recovery in the Prudhoe Oil Pool.
- Performed monthly status checks for anomalies on production characteristics of 37 active oil reservoirs and one active gas reservoir.
 - Performed monthly reviews of individual oil pool performance including decline curves, production curves and cumulative production.

- Production decline analyses were performed on one gas field including review of production curves and cumulative production.
- Initiated Surface Safety Valve (SSV) Study.
- Oil Spill plume models/max flow rates were evaluated and independently reviewed and documented in order to determine consistency with DEC oil spill response planning standards for nine exploration and delineation projects (at industry's request, in conjunction w/DEC).
- Point McIntyre reservoir model audit (on hold)
 - An Audit of the Pt. McIntyre EOR project has been suspended because there were significant complications affecting the Operators ability to cooperate with the AOGCC. Future opportunities will be reviewed to obtain data and information to do an independent project evaluation of performance and potential to expand the rate of miscible injection.
- Milne Point Unit C Pad drilling incidents were evaluated and reviewed.
- Wrote four orders (conservation, disposal injection, area injection).

For the period July 1, 2001 through September 30, 2001 the number of independent reservoir evaluations is as follows:

Initiated participation in Northstar modeling project with United State Minerals Management Service (USMMS).

Ongoing

Continued discussions with the operator for access to Prudhoe Oil Pool information so that AOGCC could audit work done to analyze gas removal impact on liquid recovery. Participated in extensive review of technical work supporting gas cap water injection in the Prudhoe Oil Pool. Performed monthly status checks for anomalies on production characteristics of 37 active oil reservoirs and one active gas reservoir. Continued the Surface Safety Valve Study of North Slope oil fields.

Concluded

UA at Fairbanks presented final work of Alpine Reservoir modeling project. Oil Spill max flow rates and/or exemptions from spill contingency plans were evaluated and independently reviewed for 5 exploration projects in order to determine consistency with DEC oil spill response planning standards. Determination of no fresh water aquifers and the delineation of a large scale hydrate trend was completed during analysis of the Meltwater AI order. Issued nine major orders (conservation, disposal injection, area injection).

Benchmark Comparisons:

We currently have no benchmark information for this performance measure.

Background and Strategies:

The AOGCC will continue to maximize the number of independent reservoir evaluations available resources allow.

Alaska Oil and Gas Conservation Commission

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	1,830.9	2,175.6	2,696.2
72000 Travel	143.9	174.0	214.0
73000 Contractual	597.5	994.3	1,134.3
74000 Supplies	49.6	26.0	35.6
75000 Equipment	84.3	50.1	71.1
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	2,706.2	3,420.0	4,151.2
Funding Sources:			
1002 Federal Receipts	100.0	102.7	105.0
1162 Alaska Oil & Gas Conservation Commission Rcpts	2,606.2	3,317.3	4,046.2
Funding Totals	2,706.2	3,420.0	4,151.2

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
Unrestricted Fund	68515	4.7	0.0	2.1	0.0	0.0
Unrestricted Total		4.7	0.0	2.1	0.0	0.0
Restricted Revenues						
Federal Receipts	51010	100.0	102.7	100.0	105.0	100.0
Oil & Gas Conservation Commission Rcpts	51079	2,606.2	3,317.3	3,317.3	4,046.2	4,046.2
Restricted Total		2,706.2	3,420.0	3,417.3	4,151.2	4,146.2
Total Estimated Revenues		2,710.9	3,420.0	3,419.4	4,151.2	4,146.2

Alaska Oil and Gas Conservation Commission
Proposed Changes in Levels of Service for FY2003

None anticipated

Summary of Component Budget Changes
From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	102.7	3,317.3	3,420.0
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	0.0	2.3	48.3	50.6
Proposed budget increases:				
-Salary Adjustments And Position Reclassification Costs	0.0	0.0	118.1	118.1
-Increased Drilling Activity Costs	0.0	0.0	562.5	562.5
FY2003 Governor	0.0	105.0	4,046.2	4,151.2

Alaska Oil and Gas Conservation Commission

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	24	27	Annual Salaries	1,965,010
Part-time	0	1	COLA	65,666
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	591,095
			<i>Less 2.69% Vacancy Factor</i>	(70,571)
			Lump Sum Premium Pay	145,000
Totals	24	28	Total Personal Services	2,696,200

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Clerk I	1	0	0	0	1
Administrative Clerk II	1	0	0	0	1
Administrative Clerk III	1	0	0	0	1
Administrative Manager II	1	0	0	0	1
Analyst/Programmer I	1	0	0	0	1
Analyst/Programmer IV	1	0	0	0	1
Commissioner, Oil and Gas Comm	3	0	0	0	3
Executive Secretary	1	0	0	0	1
Natural Resource Manager I	1	0	0	0	1
Petroleum Engineer	2	0	0	0	2
Petroleum Geologist Asst	1	0	0	0	1
Petroleum Geologist I	1	0	0	0	1
Petroleum Inspector	7	0	0	0	7
Reservoir Engineer	1	0	0	0	1
Senior Petroleum Engineer	1	0	0	0	1
Senior Petroleum Geologist	1	0	0	0	1
Senior Petroleum Reservoir Eng	1	0	0	0	1
Statistical Technician II	2	0	0	0	2
Totals	28	0	0	0	28